

Message Text

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PAGE 01 NEW DE 13545 061308Z
ACTION EB-08

INFO OCT-01 NEA-10 ISO-00 AID-05 CIAE-00 COME-00
FRB-01 INR-10 NSAE-00 ICA-20 TRSE-00 XMB-04
OPIC-06 SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15
STR-07 CEA-01 /101 W
-----122737 061327Z /11

R 061147Z SEP 78
FM AMEMBASSY NEW DELHI
TO SECSTATE WASHDC 3810

UNCLAS NEW DELHI 13545

E.O. 11652: N/A
TAGS: EFIN IN
SUBJECT: RESERVE BANK OF INDIA EXTENDS FORWARD
COVERAGE PERIOD FOR PURCHASE OF US DOLLAR

REF: BOMBAY 2225

FOLLOWING SENT ACTION NEW DELHI INFO CALCUTTA MADRAS
FROM BOMBAY SEP 05 IS REPEATED

QUOTE
UNCLAS BOMBAY 2225

EO 11652: N/A
TAGS: EFIN IN
SUBJ: RESERVE BANK OF INDIA EXTENDS FORWARD COVERAGE
PERIOD FOR PURCHASE OF US DOLLAR

1. EFFECTIVE SEPTEMBER 1, RESERVE BANK OF INDIA (RBI)
SHALL BE WILLING TO BUY FORWARD US DOLLARS FROM AUTHORIZED
INDIAN EXCHANGE DEALERS FOR A PERIOD UPTO TWELVE MONTHS
AS AGAINST THE PREVIOUS FORWARD PERIOD OF SIX MONTHS.
RBI WILL ALSO PROVIDE, UNDER ITS SPECIAL SCHEME, FORWARD
COVERAGE TO EXPORTERS OF SPECIFIED ENGINEERING PRODUCTS
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HAVING PAYMENTS DUE WITHIN 18 MONTHS. THE FACILITY,
HOWEVER WILL BE AVAILABLE ONLY IF THE PAYMENT, PR PART
OF IT, IS DUE BEYOND 12 MONTHS. HITHERTO, THIS FACILITY
WAS AVAILABLE TO EXPORTERS HAVING PAYMENTS DUE BEYOND 18
MONTHS. THESE STEPS HAVE BEEN DESIGNED TO MITIGATE EXPORT
LOSSES ARISING FROM EXCHANGE FLUCTUATIONS.

2. RBI ALSO DECIDED TO INCREASE ITS "FORWARD MARGIN"
CHARGE ON FORWARD PURCHASE OF POUND STERLING FROM POUND
0.0050 TO POUND 0.0060 PER RS. 100. HOWEVER THE EXISTING
PRACTICE OF PURCHASING POUND STERLING FROM EXCHANGE
DEALERS FOR DELIVERY UPTO NINE MONTHS AND IN SOME
CASES, UPTO 12 MONTHS, ON A MONTHLY CONTRACT CHARGE OF
POUND 0.0075, WILL CONTINUE.

3. THE RATE OF PURCHASE OF US DOLLAR, POUND STERLING,
DEUTCH MARK AND YEN REMAIN UNCHANGED EXCEPT FOR HE
NEW MARGIN ON POUND STERLING DESCRIBED IN PARA TWO.

4. COMMENT: ENGINEERING GOODS AS WELL AS OTHER EXPORTERS
ARE BELIEVED TO HAVE WELCOMED THE RBI MEASURE WHICH, TO
AN EXTENT, WOULD INSULATE THEM AGAINST EXCHANGE FLUCTUATIONS.
HOWEVER IN THE ABSENCE OF AN OFFICIAL TEXT OF THE RBI
MEASURE, WE ARE NOT CERTAIN WHETHER THE EXTENDED FORWARD
COVER OFFERS TO EXPORTERS WILL COVER ONLY US DOLLAR
TRANSACTIONS OR ALL PRINCIPAL CURRENCIES. COURTNEY

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: DOLLAR, GOVERNMENT PROCUREMENT, ECONOMIC PROGRAMS, CURRENCY CONTROLS
Control Number: n/a
Copy: SINGLE
Draft Date: 06 sep 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978NEWDE13545
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780362-1079
Format: TEL
From: NEW DELHI
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780998/aaaaddgt.tel
Line Count: 84
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: ba79fa56-c288-dd11-92da-001cc4696bcc
Office: ACTION EB
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: 78 BOMBAY 2225
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 29 mar 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: N/A
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 1532049
Secure: OPEN
Status: NATIVE
Subject: RESERVE BANK OF INDIA EXTENDS FORWARD COVERAGE PERIOD FOR PURCHASE OF US DOLLAR
TAGS: EFIN, IN
To: STATE
Type: TE
vdkgvwkey: odbc://SAS/SAS.dbo.SAS_Docs/ba79fa56-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014